

AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF SUGAR LAND, TEXAS

AGENDA OF: <u>08/03/2004</u> DEPARTMENT OF ORIGIN: <u>Finance</u> REQ. NO. <u>V A</u> DATE SUBMITTED: <u>7/28/2004</u> PREPARED BY: <u>Claire Manthei</u>	
SUBJECT:	Fort Bend County Municipal Utility District No 106, Proposed Issuance of \$5,140,000 Unlimited Tax Refunding Bonds, Series 2004
PROCEEDING: Review and Discuss Proposed Bond Sale	
CLEARANCES: Director of Finance & Administration <i>LM</i>	
EXHIBITS: Staff Memorandum Debt Service Schedule Preliminary Official Statement for review in Council Meeting Room	
APPROVED FOR SUBMITTAL: CITY MANAGER <i>Allen Boyard</i>	
EXPENDITURE REQUIRED: N/A AMOUNT BUDGETED: N/A APPROPRIATION REQUIRED: N/A	

EXECUTIVE SUMMARY:

Pursuant to Section 26-16 of the Code of Ordinances, Fort Bend County Municipal Utility District No. 106 is presenting to the Mayor and City Council for review and discussion the issuance of \$5,140,000 Unlimited Tax Refunding Bonds Series 2004. The Bonds constitute the first series of Unlimited Tax Refunding Bonds issued by the District. The proceeds of the issue will be applied to advance refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds. Aggregate principal amount to be refunded is \$4,640,000. Total debt savings is \$238,501. Net present value savings is \$175,636 or 3.78%.

The bond term is proposed at fifteen years with principal payments beginning in year 2005 and maturing in 2019. Refunded principal has not been extended. This is the first refunding debt issuance for the District and all debt including this issuance will be paid off in 2021. Preliminary debt schedules show combined principal and interest payments for all debt, which averages \$1,419,322 annually.

Prior to the sale of these bonds, the District must obtain a letter from the Mayor affirming that the District is in compliance with the rules and regulations of the City of Sugar Land. In addition, the Mayor must also provide a letter to the Attorney General of the State of Texas approving the form of

the resolution or order of the board of directors authorizing the issuance of any bonds of the District absent the interest rates and sales price of the proposed bonds. The City has received a preliminary official statement, and draft resolution from the District authorizing the issuance of the bonds. A hard copy is provided for your review in the City Council meeting room.

RECOMMENDED ACTION:

Review and Discuss.

Mud 106,2004 Series Refunding R&D.doc

MEMORANDUM

TO: Allen Bogard, City Manager

FROM: Claire Manthei, Director of Finance/Administration

DATE: July 27, 2004

SUBJECT: Fort Bend County Municipal Utility District No 106
\$5,140,000 Unlimited Tax Refunding Bonds Series 2004

Pursuant to Section 26-16 of the Code of Ordinances, Fort Bend County Municipal Utility District No. 106 is presenting to the Mayor and City Council for review and discussion the proposed sale of \$5,140,000 of unlimited tax refunding bonds. Prior to the sale of these bonds, the District must obtain a letter from the Mayor to the effect that the District is in compliance with Section 26, Article II of the Code of Ordinances. In addition, the Mayor must also provide a letter to the Attorney General of the State of Texas approving the form of the resolution or order of the board of directors authorizing the issuance of any bonds of the District absent the interest rates and sales price of the proposed bonds.

The rules, regulations and standards as set forth in Section 26-16 of the Code and the creation agreement are summarized as follows:

1. Bonds may be issued by the District only for the purpose of purchasing, constructing, improving, and maintaining water, sanitary sewer and drainage systems within the boundaries of the District.
2. District bonds shall expressly reserve the right of redemption of any bonds on any interest payment date subsequent to the tenth anniversary of the date of issuance.
3. The redemption premium shall not exceed two and one-half percent of par value each year thereafter to par value.
4. Bonds other than refunding bonds and bonds sold to a federal or state agency shall be competitively bid.
5. No bonds shall be sold for less than ninety-five percent of par, provided that the net effective interest rate on the bonds sold, taking into consideration any discount or premium as well as the rate borne by the bonds, shall not exceed two percent above the highest average interest rate reported by the Daily Bond Buyer during the thirty day period preceding the date of the sale of the bonds.
6. Bids will be received not more than forty-five days after notice of sale of the bonds is given.
7. The order or resolution of the District authorizing the issuance of all refunding bonds of the District shall be approved by the Mayor.
8. The District's resolution authorizing the issuance will contain a provision that the pledge of the

revenues from the operation of the District's water and sewer and/or drainage system to the payment of the District's bonds will terminate when and if the City or some other City annexes the District, takes over the assets of the district and assumes all of the obligations of the District.

9. The District shall not be permitted to escrow any funds in excess of two years' interest on the bonds which the district issued and shall levy a tax simultaneously with the first installment of such bonds and will continue a tax levy until such bonds are paid in full, unless the revenues of the system are adequate to discharge such bonds.
10. Prior to the sale of any series of District bonds, the District shall secure a letter from the Mayor to the effect that the District is in compliance with Article II, Section 26. The Mayor shall address a letter to the Attorney General of Texas approving the form of the resolution or order of the Board of Directors authorizing the issuance of any bonds of the district absent the interest rates on and sales price of the bonds.

Presented below is information regarding the District and the proposed bonds as provided in the Preliminary Official Statement.

District Creation	Created in 1989 by the Texas Water Commission, now the Texas Commission of Environmental Quality.
Acreage	584.6 Acres
Developer	The District is part of the master-planned community known as Greatwood being developed by Westbrook Greatwood, L.P. a Delaware limited Partnership. Westbrook Greatwood acquired its property within the District in 1997 from American General Corporation who were involved in the development of Greatwood from 1986 through 1997.
Status of Development	The development of the District is complete. The Developer has completed the development of approximately 358.94 acres within the District, which have been subdivided into 947 single-family residential lots and 73 town home lots. As of July 1, 2004, the District contained 963 homes, including 24 homes under construction plus the 110-unit Greatwood Retirement Community. Home sizes range from 2,700-5,000 sq.ft., and prices range from \$180,000-\$1,500,000.
Water and Wastewater	The Greatwood Districts obtain water supply and wastewater treatment from MUD 106 in its capacity as master district (the "Master District") Pursuant to Contract for Financing, Operation and Maintenance, the Master District will construct or cause to be constructed water supply and wastewater treatment facilities (the Master District Facilities) in consideration of the payment of charges calculated on the basis of a uniform charge made for each single-family equivalent connection.
Master District Connection Charge	\$3,850 per connection
Refunding Bonds Authorized	\$16,200,000 Unlimited Tax Refunding Bonds
Amount to be Issued	\$5,140,000 (\$500,000 goes against the refunding authorization)
Amount Remaining to be Issued After the 2004 Series	\$15,700,000 Refunding Authorization \$ 8,725,000 Bond Authorization but Unissued

Source of Payment	The principal and interest on the bonds are payable from ad valorem taxes, without legal limitation as to rate or amount, levied against taxable property.
Rating	The Bonds are not rated but are expected to be rated "AAA" from Standard's & Poor's based solely in reliance upon its evaluation of the claims-paying ability of the insurer.
Insurance	Application will be made for insurance
2003 Assessed Valuation	\$249,503,300 January 1, 2003
2004 Estimated Assessed Valuation	\$256,373,008 May 1, 2004
2003 Tax Rate	<u>\$0.57 Debt Service</u> per \$100 valuation
Total Principal and Interest	\$ 25,790,819 Before Series 2004 \$ 25,431,628 After Bonds – estimated
Series 2002 Refunding Bond Structure	Principal of \$40,000 and interest payments of \$219,348 begin in 2005. Term of series is 15 years, and the refunding does not extend the repayment of the refunded bonds.
Refunding Savings	Present value savings of refunding is \$175,636 or 3.78%.
Maximum Annual P & I	\$1,442,550 in 2021
Average Annual P & I (2005-2021)	\$1,419,322
Use of Proceeds from Bonds	Proceeds of the sale of the Bonds will be used to advance refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds.
Tax Rate Requirement for Average and Maximum Debt Service payment on the bonds based on the 2003 Assessed Valuation and the 2004 Estimated Valuation	<p><u>2003 Assessed Valuation (\$249,503,300)</u> <u>Average Debt Service</u> The tax rate required for the average debt service is \$.60/100 of Assessed Valuation. <u>Maximum Debt Service</u> The tax rate required for the maximum debt service is \$.61/100 of Assessed Valuation.</p> <p><u>2004 Estimated Valuation (\$256,373,080)</u> <u>Average Debt Service</u> The required tax rate for the average debt service is \$.59/\$100 of Assessed Valuation. <u>Maximum Debt Service</u> The required tax rate for the maximum debt service is \$.60/100 of Assessed Valuation.</p> <p>The existing tax rate of the District for Debt Service is \$.57/\$100 of Assessed Valuation. The District does not have a rate for Operating expenditures.</p>

DISTRICT DEBT
Debt Service Requirement Schedule

The following schedule sets forth the current total debt service requirements of the District, plus the principal and estimated interest requirements for the Bonds.

	Outstanding Current Debt	Less Refunded	THE BONDS		Total New Debt Service Requirements
			Principal	Interest	
2004	1,439,250	136,099			1,301,151
2005	1,433,970	272,198	40,000	219,348	1,421,120
2006	1,432,010	272,198	55,000	201,815	1,416,628
2007	1,432,543	272,198	55,000	200,660	1,416,005
2008	1,430,150	272,198	60,000	199,285	1,417,238
2009	1,426,420	572,198	360,000	197,575	1,411,798
2010	1,429,398	574,828	375,000	186,415	1,415,985
2011	1,428,948	575,978	385,000	174,040	1,412,010
2012	1,430,883	575,763	400,000	160,565	1,415,685
2013	1,430,145	584,193	425,000	145,565	1,416,518
2014	1,431,430	585,613	440,000	128,778	1,414,595
2015	1,429,918	585,713	460,000	110,958	1,415,163
2016	1,430,408	589,313	485,000	91,868	1,414,963
2017	1,434,070	592,288	505,000	71,255	1,418,038
2018	1,434,200	598,538	535,000	49,288	1,419,950
2019	1,437,388	602,775	560,000	25,480	1,420,093
2020	1,437,138				1,437,138
2021	1,442,550				1,442,550
TOTAL	\$25,790,819	\$7,662,091	\$5,140,000	\$2,160,895	\$25,431,628